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a report

on economic planning

in Poland.

10 JUN 1959

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The problem of proportions between accumulation and consumption 50X1-HUM

The process of investing which was not based upon any rational economic basis created the need of continuously greater financial and material means at the expense of the consumption of the whole population! Therefore the growth of accumulation and the relative fall of consumption halted only in 1954, the first year after the death of Stalin!

The part of ~~consumption~~ accumulation and net investments in the National Income of Poland (evaluated in wholesale prices of 1956)

	i1949	i1950	i1951	i1952	i1953	i1954	i1955	i1956	i1957	i1958
Accumulation%	15,6	20,7	20,3	22,8	27,9	23,2	22,2	20,2	19,3	21,0
Net investments %	11,4	13,4	13,8	15,5	16,7	16,1	15,4	14,6	14,6	15,5

Planned

	1959	1960	1956-60	1961-65	1961-75
Accumulation%	22,7	23,4			
Net investments %	16,4	16,7	18,8	20,0	19,3

A At the same time the high proportion of productive investments (the data above concern productive investments only) had limited profoundly the possibilities in investments in the non-productive spheres such as social investments, dwellings, so-called cultural investments and others which in its turn created contradictions between productive and non-productive investments!

The last barrier of this process was represented in due time (1956) by the man alive itself and the discontent of the society, manifested openly, created the growth of consumption at the expense of accumulation.

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This reasoning might have an extreme bearing in forejudgment of the future contentment or discontentment, brewing or tranquillity of the Poland society, of the population as a whole ! The problem will be treated elsewhere, on the hard-fact basis of the short-and long run plan forecasts (some of the datas mentioned above).

Moreover this being not a problem of internal situation, but more broadly- problem of the relations Russia-Poland. As this represents the question of current targets and long-run targets reflected in the relation accumulation/consumption, the questions whichh cannot be solved simultaneously. Gomulka during the first years represented the current of thought leading to adjustments of the situation at the expense of diminishing of accumulation. The Russian point of view (except the short time of Malenkov's power) was the contrary!

The problem of the faulty planning

This problem is reflected in almost all of these separate notes! However the majority of question treated elsewhere has the more organizational or calculus' meaning. This note would bear conceptual meaning and the "voluntary" basis of planning will be treated. The basis which comported total abstraction not only from economic datas and from people but from the forces of nature as well. Therefore the targets of plans could not be fulfilled for the purely objective reasons! As examples can be cited here:

_ Agriculture. In the Six_year plan the growth of agricultural production was indicated as 50% for the period without any possibility of extensive growth i.e. including the virgin lands into arable lands (as has been done in Russia). Therefore the real growth attained only 20%, and the calculus of the specialists which followed afterwards has shown that theoretically the highest growth attainable could be not more than 30%

_ The extractin industry! The ~~full~~ target posed exceeded the real fulfillment about twice. This was the reason of disproportions between manufacturing and raw material basis mentioned elsewhere.

Raw materials and fuels	Targets of Six_year plan for 1955	Real production in 1955	Fulfillment of Six_year plan targets
Coal (million tons)	100,0	94,5	%% 94,5
Oil (thousand tons)	480,0	179,8	45,6
Iron ore (million tons)	3,0	1,05	61,9
Copper ore (million tons)	3,25	1,0	31,0
Phosphoric fertilizers in terms of pure ingredients (thousand tons)	125,0	37,2	29,8

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_ Electric power

Foreseen power stations with power of	Fulfilled	Fulfillment of Six year plan targets in %%
2.600 MW	1.451 MW	56,0

In the light of these data the endo and exogenic contradictions
treated elsewhere seem to be clear

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Problem of economic growth and its internal proportions

The economic growth is measured in the indexes of so-called global production which in the long run gives the results rather distorted as :

- a- the method of global production represents ~~as~~ a firm-method in which the industrial production of the country as a whole is the aggregate sum of the production of all industrial enterprises. As the interindustrial cooperation develops in time this method leads toward multiple accounting of the same production as every enterprise considers as its own production everything which has been sold outside
 - b- comparability of the global production indexes was undermined by the irregularity of application of the indexes of constant prices, which had been originally approved ~~in~~ and included into one single catalogue but with launching of new products and widening of assortments these prices had been constantly changed without any control
 - c- into the global production such positions among other had been included : the value of industrial services, repairs, semi-finished goods, tools and implements etc. It seems therefore impossible to evaluate the absolute mass of economic growth, taking moreover into consideration that (in the example of Poland in particular, and in the case of other communist countries especially in the point 2&3) in the discussed period the following circumstances took place and contributed to the growth of global production indexes :
1. A comparatively high fulfillment of targets in small industry ~~and~~ sector (handicraft industry, cooperatives etc, small enterprises of below 50 workers in non-basic industries)
 2. Introduction of items of high value in the defence industry sector
 3. An important development of cooperation which artificially developed the volume of production (without real growth) as the result of multiple accounting of the same items!

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The Six-Year Plan (metallurgy of iron, energetic power and some branches of chemical industry excluding) programme was ~~in~~ as the whole the closed-circuit programme, meaning that the basic effects of newly built enterprises had to be shown already in the period of the realization of the plan itself. However during this very period a necessity of stopping some investments, mostly the least advanced, was painfully manifested. Therefore the plan has been transformed into the open circuit programme and the construction of some branches of industry was more advanced than others, which were cooperating with these. The time period of construction of investment objects in some chosen branches of production in comparison with the same in Western Europe is following

	Poland	50X1-HUM (years of construction)
Thermal electric plant 200-300 MW		4 years
Special steel metallurgical plant		7 years
Coal mine (production 5000 tons/24 hours (3 shifts)		13-15 years
Meat products plant		3-4 years

It is worthy to mention that the reasons of this state are rather in the economic and not technical factors (Poland ~~disposes~~ *has at its disposal* the perfect cadre of engineers-constructors, designers and huge, well organized projecting institutions) The following factors can be here enumerated as

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most important :

dispersion of expenses (insufficient concentration of means)

method of reduction of investment preliminary expenses (cutting of important sums during construction and versing them to other investment objetc, more near realization (completion)

binding of investors with detailed and ~~many~~ bureacratic instructions and planning

lack of construction and building materials and the low level of ~~the~~ organization

Therefore the process of economic growth, based on these facts (partly as a result of faulty planning, partly as a result of retardation in construction)brought unproportional development of some branches of production in relation t o others, which reflected itself in ~~many~~ apparent economic growt h. The systematization of these disproportions can be done in three goups :

a. Disproportion between the development of industry and development of productions endogenivally conditioning its development

The flagrant example of these disproportions is supplied by the electric power generation. The rate of growth of the electric power production which in most countries on the way to industrialization or already heavily industrialized takes over the rate of growth of the industry as a whole, in Poland was left far behing the rate of growth

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Poland 50X1-HUM

The average rate of
grpwth of the industry
as a whole in t he years
1950-1955

100

in this:

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Electric power production

79

Mining(coal)

42

Iron metallurgy

77

Metal industry

157

Building materials

100

Chemical industry

134

b. Disporoportion between the development of industry and the development
of the extracting and raw-material production, which condition
exogenously its work

"ere the proof lies in the quicker development of the manufacturing than
raw material industries (generally the quicker development is justified
from both economic and technical points of view, but certainly not in such
degree)

Rate of growth in %	1950	1951	1952	1953	1954	1955	1950-1955	1956	1957
in comparison									
t o the preceding									
year									

Extracting industry	+5,8	+5,9	+4,4	+5,5	+3,9	+3,6	+32,7	+1,2	-0,5
Manufacturing industry	+34,1	+26,1	+20,6	+18,7	+11,8	+11,4	+201,3	+12,1	+9,4

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c. Disproportion among the internal development of different branches of industry.

As best example here the machine industry can serve. The total development of machine industry in the six-year plan was planned to reach 362% in comparison with the initial basis, and for example the growth of the electric machines industry, which condition functioning of all machines and in other countries take over the average growth of machine industry, was planned as 358%. The lack of ~~mx~~ electrical machines (parallel to other factors listed before) created a serious obstacle to the full capacity utilisation of the newly created industries.